

## Message Text

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63

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AGR-05 COME-00 EB-07 LAB-04 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 AID-05 XMB-02 OPIC-03 SIL-01 CEA-01

EA-06 INT-05 /103 W

----- 079783

R 281700Z APR 75

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 6836

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L MANAGUA 1630

EO 11652: GDS

TAGS: ECRE, ETRD, NU

SUBJECT: EMBARGO ON IMPORTS OF STEEL CONSTRUCTION RODS  
WIDELY PROTESTED.

1. STATING THAT IT WAS IN THE NATIONAL INTEREST TO REDUCE PRESSURES  
ON THE BALANCE OF PAYMENTS AND THAT THERE WERE SUFFICIENT  
QUANTITIES OF STEEL RODS FOR CONSTRUCTION IN THE COUNTRY,  
MINISTRY OF ECONOMY IN DECREE OF MARCH 12 TEMPORARILY  
BANNED THEIR IMPORT.

2. SINCE THEN, OPPOSITION TO DECREE HAS BEEN GROWING AND  
NOW HAS TAKEN ON POLITICAL COLORATION WITH CONSERVATIVE  
PARTY DEPUTY FROM MANAGUA, ALBERTO SABORIO, DESCRIBING THE  
MEASURE AS ONE PROTECTING SPECULATORS AND PRESENTING LEGISLATIVE  
MOTION ON APRIL 23 ASKING THAT "OFICINA DE PROBIIDAD" (A DEPENDENCY  
OF THE NATIONAL ACCOUNTING OFFICE WHICH IS SUPPOSED TO MONITOR  
THE HONESTY OF PUBLIC OFFICIALS) PRESENT A REPORT ON THE  
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INCREASE IN WEALTH OF MINISTER OF ECONOMY JUAN JOSE MARTINEZ

SINCE HE ENTERED OFFICE. A COMMISSION IN SENAT HAD PREVIOUSLY BEEN APPOINTED ON APRIL 11 TO INVESTIGATE DECREE.

3. THE CHAMBER OF INDUSTRIES HAS PUBLISHED A BROADSIDE AGAINST "UNUSUAL" DECREE CONSIDERING IT "INADEQUATE, ILLOGICAL, AND DAMAGING TO INTERESTS OF NICARAGUAN PEOPLE" BACUASE OF ITS INFLATIONARY IMPORT ON CONSTRUCTION AS LOCAL STEEL COST US\$280 TO \$300 A TON AGAINST AN INTERNATIONAL PRICE OF \$130 A TON. CHAMBER OF COMMERCE HAS NAMED COMMISSION TO PRESENT ITS PROTEST TO GON.

4. INCAE STUDY ON CONSTRUCTION PUBLISHED LAST OCTOBER (MANAGUA A-96) ON INFLATION IN CONSTRUCTION INDUSTRY ESTIMATED THAT INCREASES IN STEEL IMPORTS IN 1973 ADDED 100 TO 200 PERCENT TO INVENTORIES. WHILE STEEL ROD PRODUCERS ARE UNDERSTANDABLY QUIET, SEVERAL SOURCES HAVE TOLD US THAT AS MUCH AS \$10 MILLION OF INGOT IMPORTS HAVE BEEN ACCUMULATED ON SPECULATION THAT PRICES WOULD CONTINUE TO RISE AND SHORTAGES WOULD PERSIST. FABRICATORS OF CONSTRUCTION RODS ARE METASA--MAJORITY STOCKHOLDER IS U.S. STEEL AND PROMINENT LOCAL FAMILIES OWN IMPORTANT SHARES--AND INCA, WHICH IS FAST GROWING WIRE MILL STARTED IN 1960 BY PALESTINIAN FAMILY (BANDES) WHICH WENT PUBLIC A FEW YEARS AGO.

5. CHAMBER OF INDUSTRIES HAS NOT COMMENTED ON MEASURE WHICH BENEFITS PROMINENT MEMBERS BUT OFFICIAL OF CHAMBER PRIVATELY COMMENTED TO EMBOFF THAT IT WAS A MISTAKE AND THAT FABRICATORS SHOULD HAVE CONTINUED IMPORTS TO AVERAGE PRICES AND TAKE ADVANTAGE OF A PROBABLY TEMPORARY DROP IN WORLD STEEL PRICES.

6. A FORMER MANAGER OF INCA TELLS US DECREE RESULTED AT LEAST PARTLY FROM MANIPULATIONS OF JAPANESE SUPPLIER WHICH CONTRACTED TO SELL INCA INGOTS AT \$260 A TON FOB AND AFTER SUPPLYING CONTRACT TURNED TO USERS AND OFFERED STEEL RODS AT \$250 A TON FOB. BELGIUM COMPANY IS OFFERING STEEL RODS FOB AT \$203 A TON.

7. SUBSEQUENT TO DECREE, MINISTRY OF ECONOMY SET LOCAL CONFIDENTIAL

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PRICE OF RODS TO PUBLIC AT C\$170 CWT WHICH IS \$485 A TON, AND TO DISTRIBUTORS AT C\$154 CWT (\$440 A TON).

8. COMMENT: THIS IS NOT FIRST TIME THAT MINISTER OF ECONOMY HAS BEEN SUSPECTED OF CORRUPT PRACTICES. JUST LAST YEAR TEXTILE INDUSTRY WAS PRIVATELY ACCUSING HIM OF SELLING IMPORT PERMITS FOR TEXTILES, AND COFFEE PRODUCERS CLAIM HE WAS INVOLVED IN MANIPULATION OF EXPORT PERMITS

A FEW YEARS AGO. IT MAY BE THAT EVENTS IN HONDURAS ARE  
EMBOLDENING THE OPPOSITION TO DIRECTLY IMPLY CORRUPTION OF  
GOVERNMENT MINISTERS.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** STEEL, IMPORT CONTROLS, CONSTRUCTION MATERIALS, EMBARGOES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
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**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ACTION ARA  
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